



A Series of Informational Hearings

February 28th
Reducing Commutes & Promoting Housing

Mountain View

March 14th
Protecting California's Shrinking
Agricultural Lands **Modesto**

March 23rd
Reinvesting in Urban Neighborhoods
Los Angeles

growth
challenges
facing the

Golden State

February 28, 2001

Two-thirds of Californians believe that population growth and development are a problem. With California expecting 12 million more residents in 20 years (equal to 13 San Josés, 28 Fresnoes, or 86 Moreno Vallees), the state faces enormous challenges in accommodating this growth.

Growth Challenges in the Golden State is a series of informational hearings on some of the most pressing land use challenges facing California. Policy committees that typically examine land use issues in a fragmented manner will have the opportunity at these hearings to jointly consider the cross-cutting issues associated with growth.

This publication, developed by policy committee staff in both houses of the Legislature, provides an overview of California land use law and some of the more pressing land use issues facing the state.

Patricia Wiggins	Chair, Assembly Local Government Committee Chair, Smart Growth Caucus
John Dutra	Chair, Assembly Transportation Committee
Alan Lowenthal	Chair, Assembly Housing and Community Development Committee
Barbara Matthews	Chair, Assembly Agriculture Committee
Howard Wayne	Chair, Assembly Natural Resources Committee
Jim Costa	Chair, Senate Agriculture and Water Committee
Joe Dunn	Chair, Senate Housing and Community Development Committee
Bruce McPherson	Chair, Senate Public Safety Committee
Byron Sher	Chair, Senate Environmental Quality Committee
Tom Torlakson	Chair, Senate Local Government Committee

CONTENTS

California Index	3
Quotes	4
California Population Growth	5
Smart Growth Defined	7
Summary Of California Land Use Law	9
Summary Of Major Smart Growth Efforts In Other States	15
Summary Of Recent Failed Planning Reforms	17
Hearing I	19
Reducing Commutes And Promoting Housing Choices <i>February 28, 2001, Mountain View</i>	
Hearing II	29
Reinvesting In Urban Neighborhoods <i>March 23, 2001, Los Angeles</i>	
Hearing III	39
Protecting California's Shrinking Agricultural Lands <i>April 6, 2001, Modesto</i>	
Where Do We Go From Here?	44

CALIFORNIA INDEX

Population growth in California in past 55 years: 24 million¹

Population growth in California projected for next 40 years: 24 million²

Number of cities the size of San Jose it would take to absorb 24 million people: 26³

Number of cities the size of Fresno it would take to absorb 24 million people: 57⁴

Number of cities the size of Moreno Valley it would take to absorb 24 million people:
172⁵

Deficit to Central Valley cities by 2040 to provide public services to low-density sprawl:
\$1 billion⁶

Surplus to Central Valley cities by 2040 to provide public services to more compact
growth patterns: \$200 million⁷

Percentage increase in capital cost per dwelling unit for streets, utilities and schools for
low-density, noncontiguous development compared to developments located close to
central facilities and employment centers: 100⁸

Percentage increase in bond debt incurred by City of Fresno between 1984 and 1999 to
pay for water and sewer infrastructure for low-density sprawl: 10,000⁹

Percentage change in ability of Bakersfield to pay for basic services after expanding city
limits by 53 percent: -38¹⁰

Percentage increase in licensed drivers between 1988 and 1998: 9

Percentage increase in vehicle miles traveled during the same period: 21¹¹

Percentage increase in Bay Area traffic congestion between 1995-2000: 87¹²

Percentage that Los Angeles' population grew between 1970 and 1990: 45

Percentage that the city's developed land grew during the same period: 200¹³

Percentage of California households that could afford to purchase a California median-
priced home of \$249,370 in December 2000: 32¹⁴

¹ California Department of Finance, *Historical State Population Estimates, with Components of Change and Crude Rates, July 1, 1941-1999*, January 2000.

² California Department of Finance, *County Population Projections with Age, Sex and Race/Ethnic Detail, July 1, 1990-2040 in 10-year Increments*, December 1998.

³ Based on figures provided in California Department of Finance, *California Cities Ranked by Total Population January 1, 1999*.

⁴ Ibid.

⁵ Ibid.

⁶ American Farmland Trust, *Alternatives for Future Urban Growth in the Central Valley*, American Farmland Trust: Washington, D.C., Second Printing, December 1995, p. i.

⁷ Ibid.

⁸ James E. Frank, *The Costs of Alternative Development Patterns*, Washington, D.C.: Urban Land Institute, 1989

⁹ "Putting the Brakes on Growth: Bypassed by the state's economic rebound, the Central Valley finds that increased development just brings more municipal debt. Some cities are questioning benefits of building boom," *Los Angeles Times*, October 6, 1999, p. 1.

¹⁰ Ibid.

¹¹ Legislative Analyst's Office, *California Travels: Financing Our Transportation*, May 2000.

¹² San Jose Mercury News, "South Bay traffic flow: slow, slower, slowest," September 20, 2000

¹³ Land Recycling and the Creation of Sustainable Communities: A Strategy for Ensuring Prosperity and Quality of Life for Californians in the 21st Century, CCRL, March 1998..

¹⁴ California Association of REALTORS

Percentage of California wetlands that have been destroyed over past 200 years: 90¹⁵
Percentage of California native plant species that are threatened by development: 32¹⁶
Percentage of California residents exposed to unhealthy air quality: 80¹⁷
Percentage of California's urban areas occupied by empty lots and abandoned buildings due to toxic contamination: 5-10¹⁸
Percentage of oak woodlands in the western foothills of the Sierra Nevada that have been lost in past 40 years: 16¹⁹

Number of farm acres the Central Valley will lose to sprawl by 2040: 1 million²⁰
Number of studies that have found that farms save communities money by contributing more in taxes than they demand in tax-supported services: 40²¹

QUOTES

"We cannot afford another generation of sprawl. Businesses suffer from higher costs, a loss in worker productivity and underutilized investments in older communities." (Bank of America, et.al., *Beyond Sprawl*, 1996)

"The costs of urban sprawl are very expensive. We've got to build closer in...and do whatever's necessary to save the farmland." (Eli Broad, KB Homes, 2000)

¹⁵ Assemblymember Susan Davis information.

¹⁶ Nature Conservancy, from CFN Fact Sheet on Land Use and the Environment.

¹⁷ Land Use and the Environment Fact Sheet, California Futures Network.

¹⁸ Bank of America, et al., *Beyond Sprawl: New Patterns of Growth to Fit the New California*

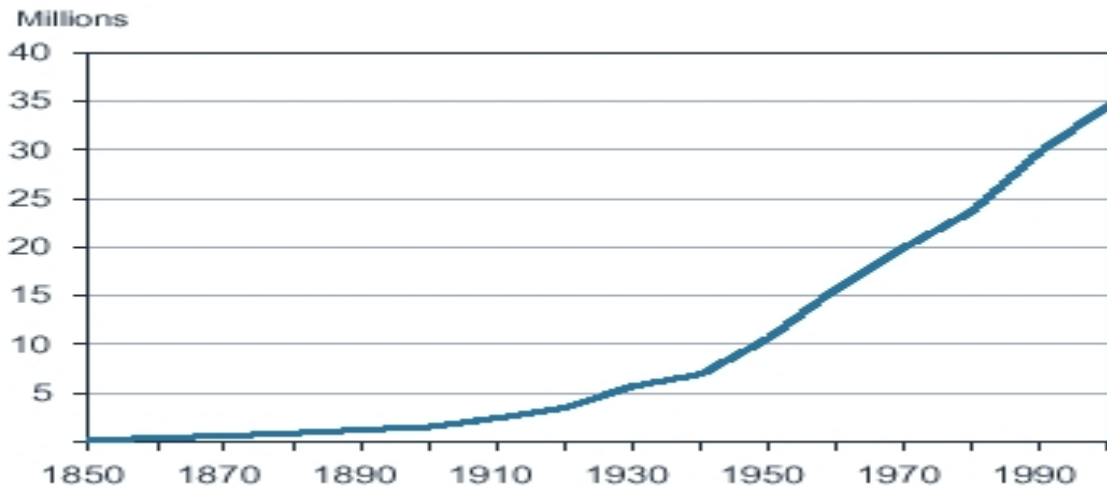
¹⁹ Sierra Nevada Ecosystem Project, Institute for Ecological Health,, from CFN Fact Sheet on Land Use and the Environment.

²⁰ American Farmland Trust, *Alternatives for Future Urban Growth in the Central Valley*, American Farmland Trust: Washington, D.C., Second Printing, December 1995, p. i.

²¹ Trust for Public Land, *The Economic Benefits of Parks and Open Space*, p. 33.

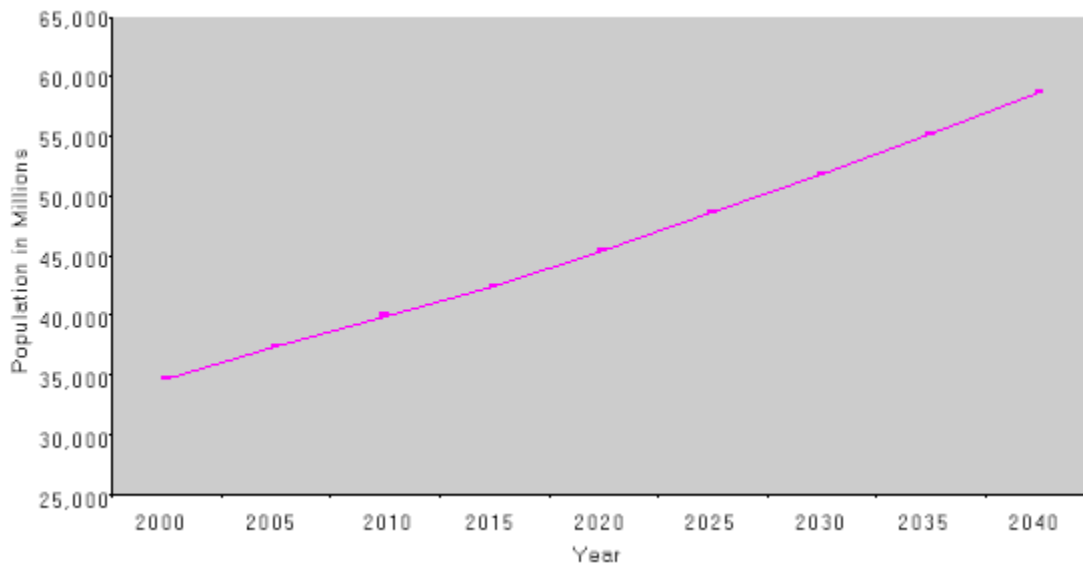
CALIFORNIA POPULATION GROWTH

California Population Growth, 1850 - 2000 (LAO)



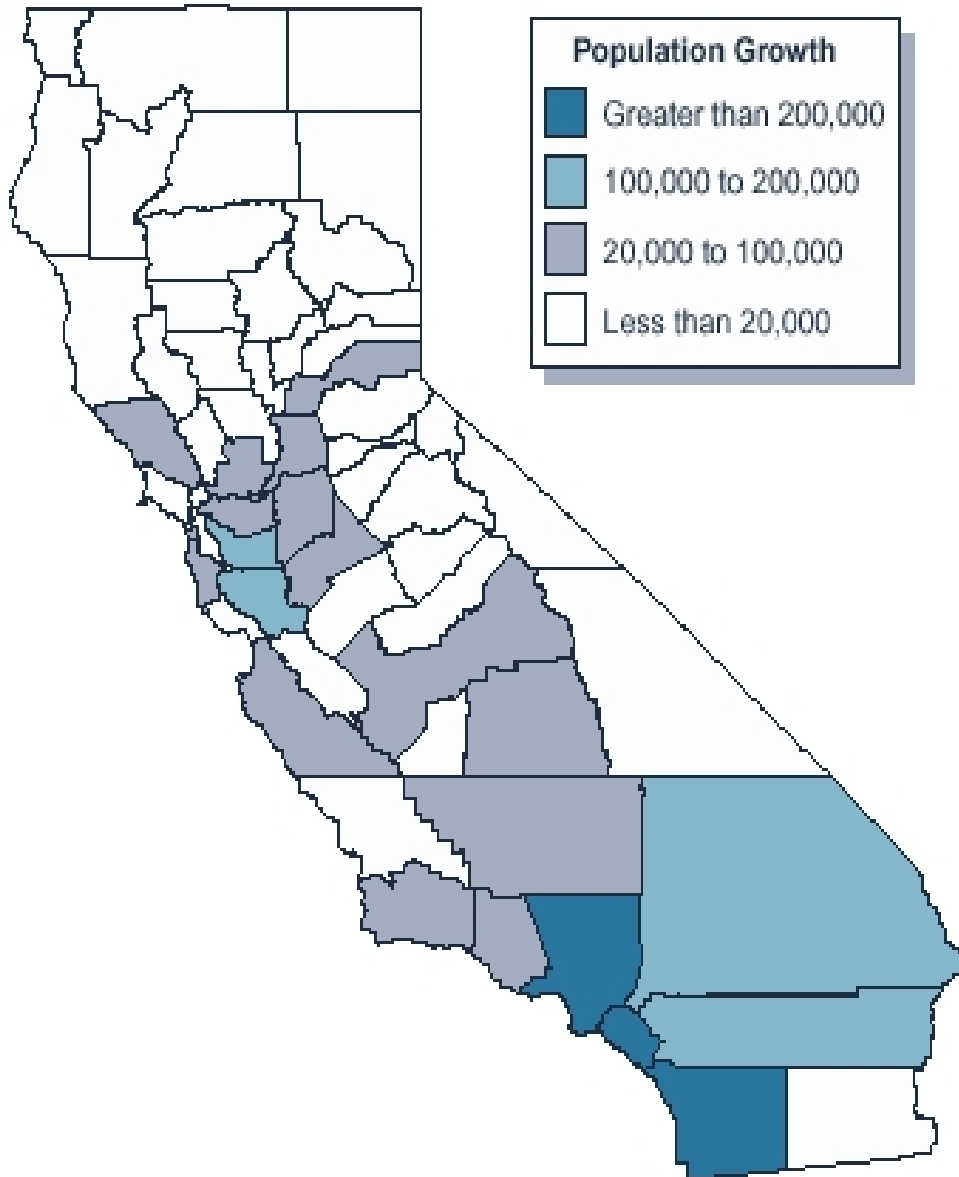
California currently has more than 35 million people (Dept. of Finance)

California Population Projections, 2000-2040



California is adding about 560,000 persons per year, equal to adding the population of Sacramento every eight months. California will add as many people in the next 20 years (12 million) as the state did in the 30-year (1946-75) post-war period. (Dept. of Finance)

Changes in Population By County, 1995-2000 (LA0)



Less-populated inland counties tend to be growing the most in percentage terms, but the larger more urbanized counties are adding the most people. Three counties, Los Angeles, Orange and San Diego, accounted for 43 percent of statewide growth (Dept. of Finance).

SMART GROWTH DEFINED

"Smart Growth" has become a common term used to describe a particular set of principles applied to land use. Here are two definitions, one from the Urban Land Institute and another adopted in 1999 by the California Legislature.

Urban Land Institute

The Urban Land Institute – an association of land use and development professionals and practitioners from throughout the nation and the world – defines "smart growth" as follows:

We define smart growth as growth that is economically sound, environmentally friendly, and supportive of community livability – growth that enhances our quality of life. Certainly, the sprawl that has resulted from our growing dependence on the automobile and our historic commitment to single-use zoning has not resulted in smart growth. Although we believe that continued growth, at least in the short term, is inevitable, many of us realize that we need to find a new way to orchestrate this growth.

Recognizing that conventional planning and development approaches are not effectively addressing growing traffic congestion and greater losses of open space, communities across the United States, often with support from their state governments, are turning to smart growth.

The following is a list of common characteristics of smart growth:

- Development is economically viable and preserves open space and natural resources.
- Land use planning is comprehensive, integrated, and regional.
- Public, private, and nonprofit sectors collaborate on growth and development issues to achieve mutually beneficial outcomes.
- Certainty and predictability are inherent to the development process.
- Infrastructure is maintained and enhanced to serve existing and new residents.
- Redevelopment of infill housing, brownfield sites, and obsolete buildings is actively pursued.
- Urban centers and neighborhoods are integral components of a healthy regional economy.
- Compact suburban development is integrated into existing commercial areas, new town centers, and/or near existing or planned transportation facilities.
- Development on the fringe integrates a mix of land uses, preserves open space, is fiscally responsible, and provides transportation options.²²

²² Source: Urban Land Institute, *Smart Growth – Myths and Facts*

California Legislature

Resolutions adopted in 1999 (HR 23 and SR 12) by the California Senate and Assembly established five smart growth principles to guide state programs, plans and investments:

- *Plan for the Future*: Preserve and enhance California's quality of life, ensure the wise and efficient use of our natural and financial resources, and make government more effective and accountable by reforming our systems of governance, planning, and public finance.
- *Promote Prosperous and Livable Communities*: Make existing communities vital and healthy places for all residents to live, work, obtain a quality education and raise a family.
- *Provide Better Housing and Transportation Opportunities*: Provide efficient transportation alternatives and a range of housing choices affordable to all residents, without jeopardizing farmland, open space, wildlife habitat, and natural resources.
- *Conserve Open Space, Natural Resources and the Environment*: Focus new development in existing communities and areas appropriately planned for growth while protecting air and water quality, conserving wildlife habitat, natural landscapes, floodplains and water recharge areas and providing green space for recreation and other amenities.
- *Protect California's Agricultural and Forest Landscapes*: Protect California's farm, range and forest lands from sprawl and the pressure to convert land for development.

CALIFORNIA LAND USE LAW

Planning, zoning and development laws

General plans required for local governments. State law requires every county and city to adopt a comprehensive *general plan* with seven *mandatory elements*: land use, circulation, housing, conservation, open space, noise, and safety. The general plan is a comprehensive, long-term plan for the development of a city or county. Most local governments select 15 to 20 years as the long-term horizon for a general plan. According to the state general plan guidelines, general plans should be reviewed regularly, and revised as new information becomes available and as community needs change. In August 2000, state officials notified 175 cities and 26 counties that their plans had not been revised in more than ten years.

General plans may also reflect additional local considerations. Depending on the community's location, general plans must also contain *special topics*, including local coastal plans, waste management, hazardous waste, seismic hazards, floodplain management, and airport land use. Local officials may also adopt *optional elements* for topics that are important to their communities. For example, 14 counties and 23 cities have adopted optional energy elements as part of their local general plans. The *Planning and Zoning Law* spells out the procedural requirements for public notices, hearings, amendments, and appeals. Unlike other states, however, California provides no direct financial help and little technical assistance to local planning departments.

Other development laws. Zoning ordinances regulate the use of buildings, structures and land between different uses, including the location, height, lot sizes, and bulk. Building codes deal with the safety and structure of buildings and regulate, for example, construction details, use of materials, and electrical, plumbing, and heating. These building codes are based on the type of occupancy.

The *California Environmental Quality Act* (CEQA) provides a process for evaluating the environmental effects of a discretionary project. An initial study is prepared to determine whether a project may have a significant impact on the environment. If the initial study shows that there will not be a significant effect on the environment, the lead agency must prepare a negative declaration. If the initial study shows that the project may have a significant effect on the environment, then an environmental impact report must be prepared. An independent survey of cities and counties found that 94% of their projects resulted in negative declarations and only 6% needed EIRs. Although environmental lawsuits are always controversial, CEQA litigation is extremely rare; cities and counties reported just one suit for every 354 projects.

The *Subdivision Map Act* provides for the regulation and control of the design and improvement of subdivisions. The act can constrain improved planning efforts. For example, many local governments are hindered in their efforts to develop orderly plans

because of antiquated subdivisions – lots allegedly created from land holdings before the first subdivision map act in 1893 or the first map act providing regulatory authority to local governments regarding maps in 1929. If found to be valid, these subdivisions frequently do not comply with requirements relating to size, location, and conditions that would otherwise apply. Subdividers also use a “lot line adjustment” provision to reconfigure entire subdivisions without adequate review by the local government. The Subdivision Map Act has also been amended over the years to lengthen the life of a tentative map, enabling developers to avoid compliance with various conditions on the tentative map, such as roads, sidewalks, parks, and other infrastructure, for several years or even decades.

Local land use decisions must be consistent with general plans. Zoning, subdivision approvals, use permits, and public works projects must follow the goals, policies, and standards in general plans. Called *vertical consistency*, this requirement means that a city council must zone enough land for apartments to meet its general plan’s goal for affordable housing, and county supervisors must deny a builder’s residential rezoning application if their general plan reserves that land for long-term productive agricultural use.

State land use decisions need not be consistent with general plans. State government public works projects and permit decisions do not have to follow local general plans. State departments can ignore local land use policies when siting state facilities like universities and highways. Further, state law allows *school districts* and *special districts* to override county and city general plans and zoning to carry out their own public works projects.

Boundaries

Controlling city limits and special districts’ boundaries controls the nature and timing of land development. Drawing the boundaries of districts and cities is more than mapping exercise. Local boundaries determine which local officials will control land use, collect revenues, build public works, and use eminent domain. The *Cortese-Knox-Hertzberg Act* gives authority over the boundaries of 475 cities and 3,800 special districts to a *local agency formation commission (LAFCO)* in each county. LAFCO’s approval of annexations gives landowners access to land use policies, public works, and public facilities that make development possible. Denials withhold those advantages.

Redevelopment

When they form redevelopment agencies, counties and cities get access to two extraordinary powers to fight blight: *property tax increment revenues* and *property*

management powers. Over 90 percent of the bigger cities (over 50,000 residents) have redevelopment agencies. Using the powers granted by the *Community Redevelopment Law*, the 406 redevelopment agencies pay for public works that can attract and retain investment in areas shunned by private investors. Property tax increment financing diverts \$1.8 billion a year in revenues from other local agencies, including schools. The State General Fund backfills the schools' revenue losses, providing a significant indirect subsidy to redevelopment projects.

Paying For Local Public Works

Local officials raise the public capital to build and expand the infrastructure needed to develop water systems, sewers, roads, and flood control. They use the same powers to provide community amenities: schools, parks, libraries, and public buildings.

- Local officials repay *general obligation bonds* with higher property tax rates. Most G.O. bonds require 2/3-voter approval; schools need only 55 percent approval (Proposition 39).
- They repay *revenue bonds* with income earned by enterprise facilities. For example, parking fees pay off the revenue bonds that finance a new city parking garage. Some revenue bonds require majority voter approval.
- Special taxes (i.e., parcel taxes, the same amount for each parcel) retire *Mello-Roos bonds* that local officials use to pay for the public works needed by new development. These bonds need 2/3-voter approval but the developer can approve the bonds before homeowners move in.
- Redevelopment agencies repay *tax allocation bonds* with property tax increment revenues. Voter approval is not required.
- Property owners pay *benefit assessments* matched to the benefit they get from the public works. Assessments require approval by weighted ballots (Proposition 218).
- Cities and counties can impose *developer fees* to pay for a builder's share of public works. Schools can also impose *school developer fees* based on statutory formulas.
- The state helps pay for local water and sewer systems, jails, parks, roads, and libraries with *statewide bond issues*. The *State Infrastructure Bank* loans money to local communities from \$475 million in capital supplied by the State General Fund.

Paying For Local Public Services

Three basic revenue sources pay for local public services:

- *Taxes*: payments that are not related to the benefit received. General taxes require majority-voter approval; special taxes need 2/3-voter approval (Propositions 13 and 218).
- *Benefit assessments*: payments that are matched to the property's benefit. Property owners must approve benefit assessments by using weighted ballots (Proposition 218).
- *Fees and charges*: voluntary payments that are linked to the cost of the service.

Local Fiscal Issues

"Fiscalization" of land use. Prior to the passage of Proposition 13 in 1978, counties distributed property tax to local governments based on locally set rates. After Proposition 13, property taxes were capped at one percent of each parcel's value and responsibility for distributing property tax shifted to the state. Proposition 13 helped "fiscalize" land use decisions by decreasing the importance of property tax to local governments (since property taxes were now controlled by state) and increasing importance of sales tax to local governments (since sales taxes were influenced by local land use decisions). Local governments compete over large sales tax generators (auto dealerships, shopping malls, "big box" retailers). 72 percent of city managers think of sales tax when looking at a vacant parcel, and many local governments consider housing and manufacturing to be a fiscal loser.

Erosion of local revenue-raising ability. Outside of the sales tax, local governments have found their ability to generate adequate and stable revenues eroded by several factors, such as property tax revenues shifted to the educational revenue augmentation fund (ERAF), reduced vehicle license fees that are currently offset but not constitutionally protected, cigarette tax subventions, sales tax exemptions, and liquor license fees. Proposition 218 also makes it more difficult to finance needed infrastructure and services.

Conservation

Current law gives counties and cities several ways to conserve open space and agricultural land. *Regulations* include local subdivision and zoning ordinances that implement general plans' policies. The *Williamson Act* allows landowners to sign voluntary contracts with counties, agreeing to keep land undeveloped for at least 10 years. About 15 million acres are under Williamson Act contracts, half of California's privately owned agricultural land. In return for these binding contracts, landowners receive *preferential assessments* for their property, lowering their property tax bills. To offset these lost revenues, the State Budget annually appropriates \$36 million in *state subventions* to county governments and a substantially higher amount to school districts

through regular school apportionments. State law also gives landowners property tax breaks if they agree to preclude development by granting *easements* (i.e., open space easements, conservation easements, agricultural conservation easements). The Department of Conservation's *California Farmland Conservancy Program* complements local efforts.

Regional Decisions

In four regions, the state has taken back land use decision-making power from counties and cities. The *San Francisco Bay Conservation and Development Commission* controls land use decisions affecting the Bay and its shoreline. The bi-state *Tahoe Regional Planning Agency* sets land use policy within the Tahoe basin. The *California Coastal Commission* manages land use in the coastal region. Local land use decisions must conform to the plan adopted by the *Delta Protection Commission*.

State Planning

Instead of adopting a statewide comprehensive plan analogous to a local general plan, state officials prepare about 40 *functional plans* to guide departments' programs, decisions, and projects. The State Department of Water Resources, for example, prepares the California Water Plan. Comprehensive plans (i.e., city and county general plans) force local elected officials to confront trade-offs between competing policy goals. Functional plans (e.g., the California Transportation Plan) allow a state department to pursue its own ends without having to compromise with other agencies' programs. Coordination and direction for the state's functional plans is supposed to come from the *Governor's Office of Planning and Research (OPR)*. State law directs OPR to coordinate state departments' functional plans. OPR is supposed to direct state departments' policies by issuing the *Environmental Goals and Policy Report* every four years. OPR's last report, *An Urban Strategy for California*, came out in 1978. Governor Jerry Brown's executive order requiring state officials to follow the *Urban Strategy* is still in effect. Because of inaction during the Deukmejian and Wilson administrations, no one coordinates these state plans nor are there statewide goals to direct them.

Takings

Both the federal and California constitutions limit *eminent domain*; governments' inherent power to take private property for public use. If a state or local agency wants to condemn private property, officials must show the public purpose, pay just compensation, and give the property owner due process. Such claims arise from the Fifth Amendment of the United States Constitution, that provides "... nor shall private property be taken for public use without just compensation." A takings claim usually arises in one of three ways:

- Direct condemnation. A governmental agency condemns land for a public purpose, such as a road. To accomplish this, the government usually sues the property owner to determine the amount of just compensation.
- Inverse Condemnation. A government act has the effect of destroying property. For example, plugging a flood culvert which in turn floods a neighboring property that had not historically incurred flooding. It's called inverse condemnation because in these cases the property owner sues the government.
- Regulatory takings. Regulatory takings is a special class of inverse condemnation and occurs when a regulation (instead of a project or an action) has the same effect as if the government had condemned the land for a public purpose. For example, zoning private property as a public park would constitute a regulatory taking. In other words, all economic value is destroyed.

The test for determining if a regulatory taking has occurred is whether the regulation denies all economically viable use of the property. If so, a court will usually find a taking unless the limitation derives from a traditional property limitation, such as nuisance law.

Local governments face challenges in their land use decisionmaking by those who sometimes assert that a regulation is a taking of property.

SUMMARY OF MAJOR SMART GROWTH EFFORTS IN OTHER STATES

A number of states have established task forces or programs to promote smart growth, including Kentucky, Minnesota, Colorado, Maine, Missouri, Montana, North Carolina, Virginia, Delaware, New Jersey, Pennsylvania, Florida, and New York. Several other states have also created statewide growth-related programs. Three of the most notable and closely watched have been those in Maryland, New Jersey and Oregon.

Maryland

The Maryland Smart Growth and Neighborhood Conservation Program was established in 1997. The program states three primary goals:

- Saving the state's most valuable remaining natural resources before they are forever lost;
- Supporting existing communities and neighborhoods by targeting state resources to support development where infrastructure is already in place or planned; and
- Saving taxpayers the cost of building the infrastructure to support sprawl.

The centerpiece of the program is Priority Funding Areas. This policy limits most state infrastructure funding and economic development, housing, and other program monies to Smart Growth areas as designated by local governments. Priority Funding Areas have encouraged local government's to shrink their general plan development areas, turn down sprawling development proposals and reinvest in urban areas.

Maryland's Smart Growth effort also includes a Rural Legacy Program to promote agricultural and natural resource preservation, a Brownfields Program to expedite cleanup and redevelopment of contaminated properties, a Live-Near-Your-Work Program to encourage home ownership in targeted communities, and a Job Creation Tax Credit that encourages small and medium-sized businesses to invest in Smart Growth areas.

New Jersey

In 1992 the New Jersey State Planning Commission adopted *Communities of Place*: The New Jersey State Development and Redevelopment Plan. The stated strategy of this plan is to achieve all state planning goals by coordinating public and private actions to guide future growth into compact forms of development and redevelopment, located to make the most efficient use of existing and planned infrastructure systems and within the capacities of infrastructure, environmental, natural resource, fiscal, economic, and other systems to support growth.

In order to achieve these goals, a statewide policy structure has been developed that includes planning goals, as well as 17 statewide policies addressing equity; comprehensive planning; resource planning and management; public investment priorities; infrastructure investments; economic development; urban revitalization; housing; transportation; historic, cultural, and scenic resources; air resources; water resources; open lands and natural systems; energy resources; recycling and waste management; agriculture; and areas of statewide concern.

The Plan also includes a Resource Planning and Management Structure that considers growth in the context of centers and environs and provides a means to balance development and conservation objectives. The state is divided into five planning areas - metropolitan, suburban, fringe, rural, and environmentally sensitive - with planning objectives designed to guide the application of the statewide policies to their state's diverse characteristics. The state's "centers" are also divided into five categories - urban centers, towns, regional centers, villages, and hamlets - all of which have a central core of public and private services and a surrounding development area. These centers are to be defined by drawing community development boundaries. The goal is to turn all of the state's 600+ centers into Communities of Place.

Oregon

In 1973, Oregon established a statewide system of comprehensive land use planning in which cities and counties are required to adopt comprehensive plans according to standards and requirements set forth in state statutes, planning goals, and administrative rules. Plans that meet these criteria are "acknowledged" by the state Land Conservation and Development Commission (LCDC), whose members are appointed by the Governor and confirmed by the Senate. The Department of Land Conservation and Development (DLCD) administers land use planning statutes and policies, administers grants and provides technical assistance to cities and counties.

The LCDC adopted 19 statewide planning goals in the mid-1970s that provide the framework for the statewide program of land use planning. The policies deal with urban and rural land uses, resource management, economic development, urban growth, coastal protection, natural hazards, and citizen involvement. All land use plans must be consistent with these goals.

Each of Oregon's 240 cities is surrounded by an Urban Growth Boundary (UGB), which indicates where the city expects to grow. Land outside the UGB is to be zoned for farming, forestry, open space, or low-density development, and urban infrastructure will not be extended into those areas. UGBs are drawn by a combination of the city, adjoining counties, and special districts, with significant citizen input.

SUMMARY OF RECENT FAILED PLANNING REFORMS

State Planning

Revising state planning procedures and providing more assistance for local planning was a prominent topic in the Legislature in the late 1980s and early 1990s, with several groups calling for better state planning.

For example, the League of California Cities in Action for the '90s recommended that the state “update its existing statewide plans and policies, including its water plan, interregional transportation plans, agricultural preservation and general benefit land use (i.e., parks and open space) policies, to ensure consistency and to properly plan for the needs and impacts of growth.” The League also recommended that the state “consolidate all of its policies and facility plans to ensure consistency and coordination of its decisions.”

There also were concerns that the Office of Planning and Research (OPR) had not completed a required Environmental Goals and Policy Report (EGPR), appointments had not been made to the Planning Advisory and Assistance Council (PAAC) since 1978, and that OPR did not engage in long-range planning as required by law.

Legislative responses included replacing OPR with a Governor’s Office of Research as well as a new State Planning Agency; enabling the Senate Rules Committee and the Speaker to appoint PAAC members; replacing the EGPR with a State Planning Report that included items in the EGPR while adding an inventory and consolidation of other state plans; requiring the state capitol outlay plan to be consistent with the State Planning Report; and creating a state Public Improvement Authority. None of these efforts were embraced by the governors of this period.

Regional Planning

Current law establishes local agency formation commissions (LAFCOs) in each county, and provides for air pollution control districts, regional water quality control boards, regional transportation planning agencies, and other regional entities. Councils of governments may also be formed through joint-powers agreements. In the late 1980s and early 1990s, some were concerned about single-purpose regional agencies and believed that a realignment of their functions could enable better management of growth.

Legislative responses ranged from revising Regional Planning District Law and specifying the contents of a comprehensive regional plan, to consolidating the various regional agencies into a Regional Development and Infrastructure Agency (RDIA), with requirements for regional and subregional plans and RDIA review and approval authority

over certain actions. There was also some interest in allowing the creation of subregional planning authorities to prepare subregional plans.

Revising regional planning procedures, however, is difficult. Single-purpose regional agencies have boundaries that generally relate to an entity's interest, such as an air basin. Others, such as LAFCOs, follow county lines. COG boundaries are based on those of the entities that have entered into joint powers agreements. There is also keen interest in regional agencies with responsibilities for certain key resource areas, such as San Francisco Bay, the coast, Lake Tahoe, and the Delta.

Local Planning

There have been several efforts to improve planning coordination between local governments. Legislative responses included revising local general plan and infrastructure planning requirements; improving the general plan interagency referral process; requiring infrastructure to be in place before development can occur (also known as concurrency); enabling local governments to create sub-regional planning bodies; requiring state agencies to comply with a local general plan and zoning if the local general plan meets certain requirements; and requiring local governments to implement regional plans.

Local governments are generally concerned with efforts to restrict their planning authority, especially when the state has failed to meet its most basic planning responsibilities.

REDUCING COMMUTES AND PROMOTING HOUSING CHOICES

February 28, 2001

Mountain View

Background

The high cost of housing and transportation, and increasing frustrations with traffic congestion, make headlines and dominate conversations across California every day.

Housing prices in California are skyrocketing. Between December 1999 and December 2000, the median price of an existing single-family home rose by 10.7 percent, to nearly \$250,000. In the same period, housing affordability dropped, so that only 32 percent of families could afford the median priced home, compared with 55 percent nationwide.²³ For low-income families, the situation is even worse: in 1997, 65 percent of low-income renters and 54 percent of low-income homeowners in the state's metropolitan areas paid more than half their income for housing in 1997, well above the 30 percent level recommended, and the situation has only grown more difficult with the rise in prices.²⁴

At the same time, transportation costs are increasing. A recent study found that households in the Los Angeles, Riverside, and Orange Counties spend over 17 percent of income on transportation, and over 15 percent in San Diego and the Bay Area.²⁵ Between these housing and transportation costs, many families don't have much left to spend on food, clothing, child and health care, and other necessary expenses.

Congestion is also increasing. From 1987 through 1995, the number of hours that drivers spent in congested conditions on urban highways increased almost two-thirds, from below 200,000 hours per day to over 300,000 hours per day. In 1997, congestion cost California companies \$15 billion in lost productivity and wasted resources. In the Bay Area alone, companies experienced \$3.5 billion in losses due to traffic congestion.

A major factor in all of these issues – housing prices, transportation costs, traffic congestion, and lost productivity – is California's sprawling pattern of development, and the lack of linkages between housing, jobs, services and transportation. When working families try to live close to jobs and services, they often find that there are few housing options available, and those that exist may either be far too expensive, in areas with poor public schools, or in substandard or overcrowded conditions. In few places can

²³ California Association of REALTORS®

²⁴ Locked Out: California's Affordable Housing Crisis, California Budget Project, May 2000

²⁵ Driven to Spend: Sprawl and Household Transportation Expenses, Surface Transportation Policy Project, 2000.

Californians find less sprawling development, with a compact mix of adequate affordable housing choices, employment, services, good schools, and transportation options.

The dream of suburban living, once a lifestyle choice made by some families, has now become a necessity in order to afford adequate, available and decent housing near better schools. However, as builders continue to meet housing needs by developing far from urban and job centers, the dream has become for many a nightmare of long commutes, increased air pollution, gridlock congestion as well as a diminished quality of life for those who spend more time in their cars than with their families.

Due to this phenomenon, the quality of life in cities and towns has changed dramatically over the last 30 years. Despite the booming economy and record low unemployment rates in California, citizens continue to describe their deep sense of loss for communities that were once enjoyable and easy places in which to live and work. Affordable housing and transportation no longer elude just the working and very poor, but teachers, nurses, firefighters, police officers, and even small business owners. The business community is taking an unprecedented interest in land use, housing, and transportation planning in order to mitigate the potential loss of a high quality workforce that, despite competitive wages, can no longer afford to live close to work.

According to a recent report by Stephen Levy entitled “Land Use and the California Economy:” Californians should be prepared for three million more jobs, six million more residents and two million more households in the next 10 years.²⁶ Given these daunting projections, a policy issue that must be addressed is the linkage between transportation and housing, and specifically, how the state can partner with local governments to create more affordable housing closer to public transit and the places people need to go, to insure a continued high quality of life and strong economy.

Housing Crisis:

Government Code Section 65580 declares: *The availability of housing is of vital statewide importance, and the early attainment of decent housing and a suitable living environment for every Californian, including farm-workers, is a priority of the highest order.*

Housing affordability is a huge problem statewide. In California, housing costs have, for the past quarter century, risen faster than the earning power of the average resident. Between 1976 and 1999, the state’s median home price increased 356 percent while median household income rose only 244 percent.²⁷

Overall demand exceeds overall housing supply. After a decrease in housing construction during the early recession years of the 1990s, when home prices were falling and people were leaving the state, housing construction has increased. But the state is still far short of the 250,000 units needed annually to meet demand. In 2000, 147,600 new housing

²⁶ Land Use and the California Economy, Center for Continuing Study of the California Economy, 1998

²⁷ California Association of REALTORS®

units were built, only 59 percent of the units needed just last year to keep pace with population and job growth.²⁸

Even more significantly, adequate supplies of housing are not being built in the areas with some of the fastest job growth. From 1999 to 2000, single-family home construction in fast-growing areas actually fell: by 15 percent in Santa Clara County, 12 percent in Orange County, 10 percent in San Francisco, San Mateo, and Marin Counties, 8 percent in San Diego County, and 1 percent in the East Bay. Additionally, an estimated 1.45 million housing units need to be rehabilitated or replaced statewide.

The housing shortage is most acute in California's urban growth centers. The following urban counties created the worst jobs-housing imbalances in the state from 1994-2000. Figures indicate the number of new jobs compared to the number of new housing units. In urban areas, a ratio of 1.25 or 1.5 new jobs to 1 new housing unit would be considered balanced, as more than one employed person occupies the typical urban unit.

San Bernardino	2.9:1
Sacramento	3.2:1
Orange	4.7:1
San Diego	5.4:1
Alameda	5.4:1
Santa Clara	8.6:1
Los Angeles	9.4:1
San Mateo	10.8:1
San Francisco	15.8:1 ²⁹

With housing construction lagging in the areas with the most jobs, housing prices have risen even further with the greater demand for housing from new workers. Ten cities and communities within these fast-growing counties have the highest median home prices in the state, ranging from \$729,000 to well over \$1 million.³⁰ Affordability in many job centers is continuing to drop:

<u>Area</u>	<u>% of households able to afford the median home</u>
San Francisco	10
Contra Costa County	14
San Mateo County	14
Santa Cruz County	14
San Francisco Bay Area region	18
San Diego County	24
Orange County	28
Ventura County	33
Los Angeles County	36 ³¹

²⁸ California Association of REALTORS®.

²⁹ Locked Out: California's Affordable Housing Crisis, California Budget Project, 2000.

³⁰ California Association of REALTORS®

³¹ California Association of REALTORS.

Affordable rental units are also critically scarce, in a state where over 40 percent of households rent (61 percent in L.A. County). Of the 45 largest metropolitan areas in the country, those that tend to have the most jobs, the six lowest-performing areas in providing affordable rental housing were all in California. Many cities have vacancy rates in the range of two to three percent, with average rents rising six to twelve percent annually. As a result, to afford to rent an average two-bedroom apartment in these job-growth areas, an employee would have to make the following full-time hourly wage:

San Francisco and San Mateo Counties	\$28.06
Santa Clara County	\$25.15
Alameda County	\$18.94
Orange County	\$18.85
San Diego County	\$16.13
Los Angeles County	\$15.04 ³²

Clearly, these hourly wages are significantly above the minimum wage, or the wages that many workers make. Thus, it is no surprise that people are traveling further in search of affordable housing.

The lack of affordable housing close to jobs has serious repercussions for all Californians. It affects the high-tech worker in the Silicon Valley who earns what would be considered a very high income in other parts of the country. It affects two-income families with children. It contributes to longer commutes. And it may result in slowing the growth of the economy if workers cannot find affordable places to live near where they work, or spend such a large portion of their incomes on housing and transportation that they have little left to spend in their communities.

Transportation Crisis:

The combination of additional workers, economic growth, the state's population increase, and housing development outside urban and job centers, has also created an immense burden on the state's transportation system.

Surprisingly, Californians actually drive less, own fewer vehicles, are less likely to have a driver's license, and ride public transit more than the average American.³³ Nonetheless, driving has increased significantly in recent decades. From 1988 to 1998, California's population grew approximately 18 percent, but vehicle miles traveled (VMT), the strongest indicator of the amount people are driving, increased by about 30 percent on state highways in urban areas, and about 21 percent statewide. Increases in driving far

³² Out of Reach, National Low Income Housing Coalition, September 2000.

³³ Beyond Gridlock: Meeting California's Transportation Needs in the 21st Century, Surface Transportation Policy Project, 2000.

exceeded increases in registered vehicles (about 7 percent) or licensed drivers (about 9.5 percent).³⁴

In California's major metropolitan areas, growth in driving significantly outpaced population growth:

<u>Metropolitan Area</u>	<u>% increase in population growth</u>	<u>% increase in driving</u>
Los Angeles	24.2 percent	56.0 percent
San Francisco-Oakland	18.5 percent	43.1 percent
San Diego	46.6 percent	84.1 percent
San Jose	35.0 percent	59.9 percent
San Bernardino-Riverside	43.9 percent	78.1 percent
Sacramento	48.8 percent	82.7 percent
Bakersfield	63.0 percent	96.0 percent ³⁵

Traffic congestion is undeniably worse. Three of the 10 most congested metropolitan areas in the U.S. are Los Angeles, San Francisco-Oakland, and San Jose. However, contrary to common assertions, it is not simply a matter of road building not keeping pace with population growth that has led to congestion. According to the Surface Transportation Policy Project, based on figures from the respected Texas Transportation Institute,

When analyzed at the metropolitan level, the major roadway network's capacity in California's largest urbanized areas grew 24 percent between 1984 and 1997 (the most recent year for which metro area level data is available), while population grew by 28 percent and the amount of driving increased 45 percent. Thus, in California's major metropolitan areas, roadway capacity did indeed increase in roughly the same proportion as population in terms of percentage growth since 1984. ...[W]hat did outpace both population and highway growth at both the regional level and statewide was the total growth in driving measured in vehicle miles traveled (VMT).³⁶

What many organizations have begun to point as an underlying cause for this growth in driving, congestion and the high cost of transportation is instead California's continued sprawling land use patterns. As previously noted, much new housing is being built outside of job centers, in less efficient land use patterns that separate housing from other uses, making driving a necessity and increasing congestion. As STPP explains,

U.S. Department of Transportation data show that 69 percent of the growth in driving in this period was due to 3 factors: longer average trips, less carpooling, and a switch from biking, walking, or transit to driving. Each of these factors is at least partially related to changing development patterns. Americans are each driving more every year in large part because of the increasingly spread out nature of our metro areas. As growth sprawls outward, jobs, housing and services grow farther apart. Development patterns that require an automobile trip for every errand force us to drive more every year to accomplish the same things. This is confirmed in STPP's analysis of TTI's [Texas Transportation

³⁴ California Travels: Financing Our Transportation, Legislative Analyst's Office, May 2000.

³⁵ Why Are the Roads So Congested? A Companion Analysis of the Texas Transportation Institute's Data on Metropolitan Congestion, STPP, 1999.

³⁶ Beyond Gridlock, STPP, 2000

Institute] data, which found that the spread of our metro areas is directly contributing to the increase in driving. ... This analysis indicates that our current traffic congestion problems are not an inevitable consequence of the healthy growth of our metro areas. These problems appear to be more closely linked to the sprawling development patterns that require so much driving.³⁷

This spread-out development pattern also contributes to high transportation costs. Annual household spending on transportation ranges from \$6,319 in San Diego, to \$7,150 in San Francisco-Oakland-San Jose, to a high of \$7,224 in Los Angeles-Riverside-Orange County.³⁸

However the impact of transportation expenses on housing often goes unrecognized. For example, new houses in subdivisions in the Central Valley are seen as a “good deal” by Silicon Valley workers seeking more affordable housing. But transportation costs are significantly higher. Per a new STPP report,

On average, households in some places spend more than twice as much on owning and operating automobiles than households in other places. These differences are only partially explained by different income levels. ... Outer suburbs with limited transit service exhibit significantly higher average household car costs than suburbs closer to the urban core with good transit service and mixed-use development. These lower-cost suburbs are also places with activity centers, where shops, workplaces and other amenities are in close proximity to each other and to residential areas.³⁹

In communities where people can live close to jobs and services with an array of transportation choices, transportation costs less. Yet, the lower expenditures made possible by living in a convenient, walkable neighborhood with good transit service, are not taken into account in mortgage lending decisions, putting such homes out of the reach of many buyers who could actually afford them. Taking this financial advantage into account shows that in selected cities with higher densities and available public transit, homebuyers can expect to save between \$100 to \$500 per month if they choose a home in a transportation-efficient location.

In addition, those living in homes near jobs and transportation choices such as transit, walking and bicycling, put less pressure on the state’s road and highway system. Simply trying to build more capacity for cars probably won’t succeed. (Need double/triple-decking figure for LA). In San Diego, it’s estimated that the million new people projected by 2020 would require 37 square miles of parking lots to accommodate their 685,000 new cars. According to Alan Hoffman, consultant to the San Diego Metropolitan Transportation Development Board, “That would be equivalent to paving over all of San Diego Bay, all of Mission Bay, all of the city of La Mesa, and you’d still need a two-story parking deck over all of Balboa Park.”⁴⁰

³⁷ Why Are The Roads So Congested? An Analysis of the Texas Transportation Institute’s Data On Metropolitan Congestion, STPP, November 1999

³⁸ Driven to Spend, STPP, January 2001

³⁹ Driven to Spend, STPP, January 2001

⁴⁰ “A city -- or a giant parking lot? San Diegans searching for right 'smart growth' plan,” Richard Louv, San Diego Union Tribune, August 27, 2000

The Legislative Analyst has recommended reducing demand for road space through increasing investments in transit and other driving alternatives, including improving transit operations, carpool facilities, bicycle and pedestrian facilities, promoting telecommuting, and land-use policies that reduce the distances between housing, employment, and retail centers.⁴¹

The Contribution of State-Local Finance to Housing and Transportation Crises

In 1978 California voters enacted Proposition 13, an initiative that significantly changed how California local governments finance delivery of their services and that has directly affected their land use decisions. Proposition 13 put a cap on the amount of tax that may be levied on real property. Shortly after passage of Proposition 13 and until the early 1990s, the state provided a revenue stream to local governments to backfill what was lost due to now-reduced property tax revenues. During the state's fiscal crisis of the early 1990s, the state was forced to drastically reduce its own spending. Beginning in 1993, the state required a larger share of *local* property tax revenues to pay for public education, thereby reducing the state's obligation to local governments, and causing them to rely more heavily on other revenue sources.

As California's population has increased, so has the physical size of cities and counties. Concurrent to such increases has been the increased demand for state and municipal services. Following passage of Proposition 13, local governments have pursued alternative methods to property taxes to pay for services. Although some have enacted user fees, the primary focus for local revenue is the sales tax.

Ever since Proposition 13 capped the property tax, local governments have shifted their attention to increasing opportunities for sales tax revenue, resulting in what is now called the "fiscalization of land use." With the current system of local government finance, according to the Public Policy Institute of California (PPIC), there has been an increased incentive to approve retail development and less enthusiasm on the part of cities for the development of homes and apartments, which generate more service costs.⁴²

Under the current system, the new auto mall or "big box" retailer makes a business decision to locate in a community, often negotiating incentives from the local government who wants the sales tax revenue. It then seeks approval by the city or county to build on a parcel, typically where land costs are least expensive at the urban fringe and near a major highway. This then encourages the community to develop in that direction, and as population growth continues, housing construction may ultimately be approved. Because housing developers are also concerned about land costs, they, too, seek approval for projects away from the urban core and employment centers, generally in low-density

⁴¹ California Travels: Financing Our Transportation, Legislative Analyst's Office, May 2000

⁴² City Competition for Sales Tax: Symptom of a Larger Problem? , Public Policy Institute of California Research Brief, July 1999.

single-use patterns that do not permit walking and bicycling to jobs or services, and that are unserved by transit. As a result of this dynamic, more retail and housing is built outside of existing urbanized areas, further exacerbating the jobs-housing imbalance and traffic congestion.

Silicon Valley: A Case in Point

In California's Silicon Valley, business leaders have joined together in organizations such as the Silicon Valley Manufacturing Group and Joint Venture: Silicon Valley Network, because of concerns about housing, transportation, education, and other issues affecting the economic prosperity of the region.

In Silicon Valley, job growth has been particularly high: over 400,000 new jobs added between 1980 and 2000, over half of those between 1995 and 2000.⁴³ Yet, between 1995 and 1999, there has been only one new housing unit for every 5 jobs.⁴⁴ With the median home price reaching \$540,000 in Santa Clara County, and nearly \$470,000 in the Bay Area, it is small wonder that many workers are seeking housing in the Central Valley, (median home price \$144,140⁴⁵), or other parts of Northern California or the Central Coast where prices are lower.

This pattern of so many employees seeking affordable housing far from their jobs has meant long commutes and tremendous congestion in the region. According to the Manufacturing Group,

A significant portion of the region's traffic congestion is due to the commuters using the commute corridors that service Silicon Valley, including: Highway 101, Highway 880, Highway 17 [from Santa Cruz], Highways 880 and 680 (Sunol Grade). According to Caltrans, one of Silicon Valley's commute corridors - Interstate 680 over the Sunol Grade - recently topped the Bay Bridge as the region's worst daily commute. To make matters worse, there are five other corridors that feed into the Silicon Valley that have the dubious distinction of making the "10 Worst Bay Area Commute Corridors" list.⁴⁶

In 1999, the Silicon Valley Manufacturing Group and Greenbelt Alliance conducted a land inventory to estimate the amount of vacant and reusable land for housing in the region itself, which might reduce the need for employees to seek housing elsewhere. They found that, if current development patterns continued, the land supply they identified would yield only about 50-66 percent of the housing needed, based on

⁴³ Housing Solutions for Silicon Valley: Housing Solutions Report, Greenbelt Alliance & Silicon Valley Manufacturing Group, 1999

⁴⁴ Mobility for the New Millennium: A Regional Analysis for Regional Action, Silicon Valley Manufacturing Group, June 1999.

⁴⁵ California Association of REALTORS®

⁴⁶ Mobility for the New Millennium: A Regional Analysis for Regional Action, Silicon Valley Manufacturing Group, June 1999.

household and population projections. But they also found that the region could meet 75-99 percent of housing demand, if the number of homes built per acre were simply increased – from 7 to 9 homes per vacant acre, and from 12 to 25 homes per reuse acre.⁴⁷

Thus, using vacant and reusable land more efficiently could provide most of the housing needed within the region, at more affordable prices since generally, more units per acre reduces the price per unit, and closer to jobs and transportation choices such as transit.

Existing Law

Last session the Legislature created two programs to attempt to alleviate the jobs-housing imbalance. First was the Inter-Regional Partnership (IRP), a state pilot project to help improve, by use of various incentives, the balance of jobs and housing in the counties of Alameda, Contra Costa, Santa Clara, San Joaquin, and Stanislaus.

Second was the creation of the Jobs-Housing Balance Improvement Program. This program, initially funded at \$100 million, is supposed to provide state fiscal incentives to local governments if they adopt housing elements in compliance with state law and increase housing permits. Local governments may use monies awarded from the Jobs-Housing Balance Improvement Fund for capital outlay projects. The Governor's 2001-2002 Budget proposal proposes an additional \$200 million for the program, adding a second year to the funding cycle, and eliminating the limitation to capital outlay projects.

The Governor included the following funding in the 1999-2000 Budget for transportation:

- \$ 3.390 billion to complete the Governor's commitment for projects in the Traffic Congestion Relief Fund.
- \$1 billion to local governments for streets and roads (\$500 million per year over five years)
- \$100 Million per year on an ongoing basis for Public Transit Systems (\$500 million in the first five years)

Policy Options

The scenario described in this paper is a somewhat simplified description of some of the causes of continued sprawling development. It does, however, set up a discussion for

⁴⁷ Housing Solutions for Silicon Valley: Housing Solutions Report, Greenbelt Alliance & Silicon Valley Manufacturing Group, 1999

three legislative proposals suggested by the Assembly Housing and Community Development Committee to encourage development of affordable housing in existing urban areas as well as along transit lines.

Smart Growth Mortgage (SGM):

The Assembly Housing Committee proposes a pilot program to be administered through CHFA for the creation of a "Smart Growth Mortgage" program. The SGM would allow people to qualify for larger loan amounts if they choose a home in a community with a specified minimum density that is well-served or otherwise built along public transit line(s). Evidence indicates that residents of higher density communities that are well served by public transit drive less and own fewer cars than those who live in sprawling suburban communities. Prospective homebuyers who use public transit save expenses paid for insurance, gasoline, parking and loan/lease payments.

With the SGM these transportation savings are counted as "available income" when the lender calculates the amount of loan a borrower may qualify for, thus stretching borrowing capacity significantly in neighborhoods with high "smart growth factors." For example, a household making \$50,000 a year can qualify for a \$140,000 home in a low-density suburb, but a \$197,000 home in a "smart growth" community. CHFA/HCD would administer these loan programs.

In addition, CHFA/HCD will provide information to mortgage brokers and lenders about the relative smart growth factors of each neighborhood as well as the amount of a location efficient mortgage a person could qualify for, and to compare this with a standard mortgage.

Smart Growth Down Payment Assistance:

The Assembly Housing Committee proposes to create a down-payment assistance program through CHFA and HCD to incentivize home buyers to purchase their home in a higher density neighborhood that is well-served by public transit. Applicants would have to qualify by income, and the homes to be purchased would fit the same or similar criteria as in the mortgage assistance program described above.

Incentives for Smart Growth Housing Development

Incentives (e.g., loans or grants) to local governments to use for development of housing consistent with smart growth principles. Incentives would be available for local governments that approve housing development within a central city near job centers, and along transit lines. Funds may be used for site preparation, costs associated with infrastructure, brownfield clean-up, as well as actual costs of housing development and/or rehabilitation.

MAKING A COMEBACK: REINVESTING IN URBAN NEIGHBORHOODS

March 23, 2001, 9:30 a.m. - 12:30 p.m.
Reagan State Building, 300 S. Spring Street, Los Angeles

Background

Numerous American urban centers, including many in California, declined in the postwar era. Among the factors prompting the decline: highway expansion that facilitated rapid development of outlying areas, the relocation or decline of major "blue-collar" manufacturers or industries such as aerospace, military base closures, and the attraction of public and private investment to developing areas on the urban fringe.

As people and investment moved outward, urban cores and inner-ring suburbs often were left behind. These areas became identified with impoverished neighborhoods, boarded-up business districts and neglected infrastructure. As the suburban fringe continued to grow, many second-ring suburbs have showed similar signs of deterioration.

According to Myron Orfield, the Minnesota state legislator who has looked in depth at several California regions, this pattern has affected Southern California, with far-ranging consequences:

There is a dangerous social and economic polarization occurring in the Los Angeles metropolitan region. ... [P]overty and social and economic need has concentrated and is deepening in central-city neighborhoods, in older, inner suburbs south and east of the city, and in many outlying communities [in Riverside and San Bernardino Counties]. This concentration destabilizes schools and neighborhoods, is associated with increases in crime, and results in the flight of middle-class families and businesses. As social needs accelerate in the central city, inner suburbs, and many outlying communities, the property tax base supporting local services erodes.

... As the wave of socioeconomic decline rolls outward from the central city and older, inner ring suburbs, tides of middle-class homeowners sweep into fringe communities. Growing communities, facing tremendous service and infrastructure needs offer development incentives and zone in ways that allow them to capture the most tax base. In so doing, they lock the region into low-density development patterns that are fiscally irresponsible, foster automobile dependency, contaminate groundwater, and needlessly destroy tens of thousands of acres of forest and farmland.⁴⁸

This pattern has repeated itself in other regions of the state. In his analysis of California's Central Valley, Orfield found relatively high concentrations of poverty in core neighborhoods of the largest urban areas. Thirty of 41 high poverty census tracts are in eight Valley cities: Bakersfield, Visalia, Fresno, Madera, Merced, Modesto, Stockton and Sacramento. In Bakersfield, over 35 percent of poor families live in just three census tracts in the city's center. Core area schools in Sacramento, Fresno, and Bakersfield have much higher rates of student poverty than their more suburban counterparts. At the same

⁴⁸*Los Angeles Metropolitcs: A Regional Agenda for Community and Stability*, Myron Orfield, June 1998.

time, the large central cities such as Sacramento, Fresno, Stockton and Modesto have lower sales tax revenues per household than many of the cities surrounding them, and they have less job growth in the urban core than in the outskirts of their cities.⁴⁹ For example, job growth in Modesto's inner city declined by 2.5 percent, compared with a 3.9 percent increase in jobs in the suburbs.⁵⁰

Orfield also completed work for the Urban Habitat Program showing a similar pattern of disinvestments in the Bay Area. Based on his work, the Bay Area Partnership identified 46 disadvantaged neighborhoods with concentrated or persistent patterns of poverty, largely in the "flatlands." Concludes Carl Anthony, Urban Habitat's Executive Director: "The lion's share of private and public investment is going to favored suburban areas that benefit from metropolitan growth, while accepting few metropolitan responsibilities. Such communities, with an expanding tax base, and exclusive housing markets, have relatively few unmet social needs. The decline in property values and retail outlets in the central cities and older, inner suburbs and the corresponding increase of property wealth and taxable transactions represents an interregional transfer of tax base. This loss of value in older and poor communities is one of the costs of sprawl."⁵¹

Ultimately, this pattern is not just a problem for the impoverished urban centers and neighborhoods themselves. Prominent California analysts believe that the health of the urban center is inextricably tied to the state's economic future. Planners Peter Calthorpe and William Fulton assert that regions (an aggregation of cities and suburbs) are the key economic, ecological, cultural and civic entities in contemporary life, and that a healthy urban center is essential to a region's ability to compete successfully in the global economy. Recent work by researchers from several California universities has shown that:

Poverty ... is clearly a drain on the economic prospects of regions. Inequality and poverty breed distrust and social tension and lower the skill base, or human capital, necessary for a competitive economy. It is little wonder that studies of regional metro areas in the U.S. have found that areas with less income disparity between city and suburb tend to have faster economic growth across the entire metro region. Collecting data on 74 metropolitan areas in the U.S., ... we found that efforts to reduce central city poverty led to an increase in regional income. Doing good and doing well went hand-in-hand for regions.⁵²

⁴⁹ *Central Valley Metropolitics : A Regional Agenda for Sustainable Communities*, Myron Orfield and the Metropolitan Area Research Corporation.

⁵⁰ *Where are the Jobs?: Cities, Suburbs and the Competition for Employment*, Brookings Institution, Center on Urban and Metropolitan Policy, November 1999

⁵¹ Carl Anthony, from testimony to the Assembly Select Committee on Jobs-Housing Balance, March 25, 1999

⁵² Manuel Pastor, Jr., Peter Dreier, Eugene Grigsby III, and Marta López-Garza, *Growing Together: Linking Regional and Community Development in a Changing Economy*, 1997.

Problem

Accommodating a major portion of California's future population growth in existing older urban and suburban core neighborhoods offers a number of policy benefits, including reducing poverty and segregation, decreasing expensive demands for new infrastructure on the fringe, reducing the number of commuters clogging the highways, protecting agricultural land and open space, and improving quality of life.

However, the resurgence of older urban and suburban cores is hampered by several factors:

(1) Infill Development Is Often Difficult

Factors that hinder infill development in older inner cities and suburban cores include:

- “Fiscalization of land use” leading to local governments’ preference for retail sales tax generators over housing development.
- Opposition to new development, especially affordable housing, from existing neighbors.
- Higher land costs and slower approval processes than for greenfield development.
- Separate parcels that are too small, and haven’t been packaged together, and high parking and setback requirements that make some sites infeasible for enough units.
- Potentially expensive mitigations for impacts – and sometimes for overstated impacts, such as on traffic, even though other transportation choices exist.
- Costs for rehabilitating aging infrastructure, and/or demolition and removal of existing obsolete development.

(2) Brownfields Pose Special Development Challenges

From 5 to 10 percent of California's urban real estate - 260,000 to 520,000 acres or more than 38,000 individual sites, not including closed military bases – is made up of “brownfields,” i.e., sites with minor to severe toxic contamination. These sites represent a tremendous opportunity for community clean-up and revitalization. According to the California Center for Land Recycling (CCLR),

At the current urban area density of less than two housing units per acre, California brownfields alone could accommodate a million or so new families and still fit within the definition of “urban area.” At higher densities appropriate to core areas, and while ensuring the presence of adequate amounts of open space, these brownfield sites could house 10 to 20 million families without consuming any additional green space.⁵³

However, there are many factors that discourage the redevelopment of brownfields, including:

⁵³ *Land Recycling and the Creation of Sustainable Communities: A Strategy for Ensuring Prosperity and Quality of Life for Californians in the 21st Century*, CCLR, March 1998

- Location in distressed urban areas with high crime, a lack of a skilled local workforce, and poor schools.
- Uncertainties related to ongoing liability and clean-up standards.
- Potential high costs of toxic assessment and clean-up.
- Complicated and sometimes overlapping state, federal, and local requirements.
- Difficulty in obtaining private financing for cleanup, and often more onerous terms for long-term financing for cleaned-up sites than for greenfield sites.
- Opposition to new projects from existing residents.
- Competition with easier, less costly sites on the fringe.⁵⁴

(3) Older urban and suburban cores are not receiving an adequate share of regional investment to revitalize.

- Caltrans spends more than half of its federal funds on suburban highway construction, even though 74 percent of California's urban highways need repair.⁵⁵ Local governments have a \$12.8 billion backlog for the rehabilitation of local streets and roads, with no funds available to address this backlog.⁵⁶
- The statewide bill is estimated at \$15 billion to operate and expand California's transit system⁵⁷, but there isn't a regular source of funding. Alameda County Transit cut its night and weekend service due to lack of operating funds.
- Statewide, K-12 school enrollment is at a record high, with estimated growth of 50,000 new students annually. But California ranks 37th in the 50 states in spending on school facilities. Overcrowding in the Los Angeles Unified School District means some children travel two hours a day in rush hour traffic to attend a less crowded school⁵⁸, but urban districts, who face greater siting difficulties for new schools, have not been able to compete effectively with suburban districts for school bond funds.
- Open space and parks in California have been underfunded and undermaintained for years. While new parks are being built on the fringes to serve low-density new development, many urban communities have inadequate and deteriorated park facilities. Measured by national standards, the City of Sacramento found it has only 64 percent of the parkland a healthy city should have – a deficit of 1,400 acres.⁵⁹

The many barriers to rejuvenation of older urban and suburban still need to be addressed. But there are some hopeful developments. In recent years, L.A. and other older urban centers have begun to show signs of resurgence. KB Homes (formerly Kaufman & Broad), the nation's largest residential builder, has established a subsidiary that is focused

⁵⁴ Ibid.

⁵⁵ Surface Transportation Policy Project

⁵⁶ "California's Crumbling Road System," California State Association of Counties and League of California Cities.

⁵⁷ California Transportation Commission

⁵⁸ LA Unified School District Facilities Task Force

⁵⁹ Sacramento Bee, April 12, 2000

on meeting the high demand for single-family housing and townhomes in urban centers. In Los Angeles, stylish residential lofts are beginning to transform long-vacant historic office buildings. Apartment and condominium construction is expected to increase in downtown Los Angeles by 55 percent over the next three years. The centers of San Jose, San Francisco, Oakland, Long Beach, Sacramento and San Diego are also seeing new residential and business development.

Immigrants long have been attracted to Los Angeles, San Francisco and San Jose (and probably helped these areas avoid the depopulation experienced by older industrial cities such as St. Louis and Detroit). Other demographic sectors, such as young professionals, "empty nesters," childless couples and high-tech workers, have shown a particular affinity for the shorter commutes and historic, cultural and entertainment attractions offered by urban centers.

A new study for the Milken Institute counts among downtown Los Angeles' particular assets its inventory of classic buildings, including beaux-arts offices and industrial and warehouse buildings suitable for lofts and digital businesses. It also notes the potential for downtown L.A. to become a center of "knowledge-value production" for Internet, multimedia, culturally oriented and artistic industries, and to appeal to the growing group of young, educated, and childless urbanites who seek interesting urban locations.⁶⁰

Spotlight on Los Angeles

Southern California and the Los Angeles area are facing many of the challenges associated with the pattern of disinvestment in older areas, combined with continuing outward growth that is worsening housing, transportation, environmental, and quality of life woes.

Projections are for seven million new people in the region by 2020, an increase of 43 percent, or the equivalent of adding the population of two Chicagos to the area. Employment is projected to grow by 61 percent, to over 10 million jobs by 2020.⁶¹ Under current scenarios, Riverside and San Bernardino Counties together can expect over one million new people in their respective areas, and Los Angeles County two million by 2020.⁶² In SCAG's 1998 regional transportation plan, vehicle miles traveled were projected to increase by 50 percent, and vehicle hours of delay by almost 200 percent.⁶³ Air and water quality are continuing issues of concern with this growth.

⁶⁰ *Knowledge-Value Cities in the Digital Age*, Milken Institute, Feb. 13, 2001.

⁶¹ Mark Pisano, Executive Director of the Southern California Association of Governments, from testimony to the Assembly Select Committee on Jobs-Housing Balance, March 25, 1999

⁶² *Raising the Roof*, California Department of Housing and Community Development

⁶³ 1998 Regional Transportation Plan (RTP) Technical Appendix, Southern California Association of Governments.

Infill development, brownfields clean-up, and reinvestment in the older urban and suburban cores in Los Angeles and other Southern California cities will be extremely important to create a more compact development pattern that provides adequate housing, employment, and transportation options together, and reduces economic, environmental, and social problems.

Southern California, and Los Angeles County and the City of Los Angeles, however, face significant challenges in revitalizing their older urban cores and suburbs. Among them:

Los Angeles City and County have significant problems with poverty, neighborhood deterioration, jobs, and infrastructure:

- Nearly half of households in Los Angeles County had an estimated net worth of less than \$25,000, and a United Way study showed in 1998 that the middle class has been shrinking. Countywide, more than 20 percent of families were living below the poverty line,⁶⁴ and in the central city of L.A., Myron Orfield found a subset of census tracts where over 40 percent of residents were below the poverty line.⁶⁵
- In 1990, 19.1 percent of children under five lived in poverty in the Southern California region. The highest child poverty rates were in the city of L.A., 27.7 percent, and other “high need” communities, including Compton, 38.6 percent, San Bernardino, 36.8 percent, and Long Beach 28.1 percent.⁶⁶
- Within the city of Los Angeles, crime rates in 1996 were highest in the central area and the areas just south and west of there.⁶⁷
- Taxable sales, one of the few sources of discretionary revenue for local governments, are growing at a slower rate in Los Angeles County (17 percent) than in any of the other counties in Southern California (23-34 percent), except Imperial (3 percent).⁶⁸
- At the beginning of 1998, while the five other counties in the SCAG region had returned to their previous employment levels, L.A. County was still 113,000 jobs short of recovering the 500,000 jobs lost during the recession of 1990-93.⁶⁹
- In Los Angeles County, most low-skill, low-income workers live in the urbanized areas, many without cars, but nearly 60 percent of the low-skill jobs are located in the suburbs and largely inaccessible by transit, compared with 28 percent of those jobs in the central city.⁷⁰

⁶⁴ *The Double Bottom Line: Investing In California's Emerging Markets*, State Treasurer, 2000.

⁶⁵ *Los Angeles Metropolitica: A Regional Agenda for Community and Stability*, Myron Orfield, June 1998.

⁶⁶ *Ibid.*

⁶⁷ *Ibid.*

⁶⁸ *New Solutions*, Southern California Association of Governments.

⁶⁹ *Locked Out: California's Affordable Housing Crisis*, California Budget Project, May 2000.

⁷⁰ Planning and Conservation League Foundation

- More than 60 percent of residents in areas of low job growth in Los Angeles County are African American and Latino, but these groups make up only 35 percent of the population in high job growth areas.⁷¹
- Los Angeles has significant infrastructure needs. The current sewer system is overtaxed, causing regular contamination of local beaches. Road repair and maintenance needs, as in most counties, greatly exceed available funds. Parks and open space are inadequate; in Los Angeles, the most heavily minority communities, generally older urban and inner suburban core neighborhoods, have less than 20 percent of the parks acreage of more white, affluent, suburban communities.⁷² The Los Angeles Unified School District, with over 700,000 pupils already, is expected to add nearly 90,000 more students over the next 10 years. That's the equivalent of building a new district larger than Long Beach's, the state's third largest school district – without adequate funds.⁷³

Housing is in short supply, and residential infill development, especially of affordable units, is sorely needed:

- From 1994-2000, L.A. County added only one new housing unit for every 9.4 jobs.⁷⁴
- Only 36 percent of households can afford the median home price⁷⁵, and 61 percent of households in the city of L.A. rent.⁷⁶ Los Angeles has the worst gap between rents and incomes. Half the new jobs in L.A. paid less than \$26,000 per year, and 75 percent of very low income renters in the county paid half their income for rent.⁷⁷
- The full-time wage an employee needs to make to afford the average two-bedroom unit in L.A. is \$17.29 per hour; a minimum wage worker would need to work over 100 hours a week to afford the average apartment.
- In 1997, nearly one out of every six renter households (16 percent) in Los Angeles County lived in overcrowded or severely overcrowded conditions. Twelve percent of units are substandard in the Los Angeles region.⁷⁸
- Between 1998 and 2005, L.A. County is at risk of having thousands of privately owned units that are currently federally subsidized revert to market rate.⁷⁹

⁷¹ *The Double Bottom Line: Investing In California's Emerging Markets*, State Treasurer, 2000.

⁷² Michael Cameron, Environmental Defense, in testimony to the Assembly Select Committee on Jobs-Housing Balance, March 25, 1999

⁷³ "No Vacancy: The school district's space crunch is much worse than you know. And no one has a plan that will fix it," Howard Blume, L.A. Weekly, June 9-15, 2000.

⁷⁴ *Locked Out: California's Affordable Housing Crisis*, California Budget Project, May 2000.

⁷⁵ California Association of REALTORS

⁷⁶ Southern California Association for Nonprofit Housing

⁷⁷ *Locked Out: California's Affordable Housing Crisis*, California Budget Project, May 2000

⁷⁸ Ibid.

⁷⁹ Affordable Housing Risk Assessment, SCAG

Brownfields are an ongoing problem:

- There are many unused, abandoned, or underutilized industrial and commercial sites in L.A. that could provide land for infill development, but many have or are suspected of having toxic contamination. These sites not only continue neighborhood blight, but also pose a threat to neighborhood health.
- The Los Angeles Unified School District currently needs to build over 100 new schools to accommodate its students, but many of the most logical sites are brownfields.
- The City of Los Angeles has created a \$3.65 million Los Angeles Brownfields Revitalization Fund and technical assistance programs to help clean and reuse local brownfield sites, but funds are clearly inadequate to address all of the sites affected.

Existing Law

Existing law provides a number of programs aimed at urban reinvestment, though there are no overarching priorities guiding state infrastructure spending as a whole. There have also been many legislative efforts to address state and local finance, although no comprehensive efforts have succeeded.

Redevelopment. The California Community Redevelopment Act was established in the late 1940s. Over 90 percent of California's bigger cities (over 50,000 residents) have redevelopment agencies. When they form redevelopment agencies, counties and cities gain access to two extraordinary powers to fight blight: property tax increment revenues and property management powers. California's 406 redevelopment agencies pay for public works that can attract and retain investment in areas shunned by private investors. Studies indicate that redevelopment activities steer about \$450 million in property tax increment revenues per year into community reinvestment.

Brownfield Clean-up. SB 667 (Sher, 2000) established the Cleanup Loans & Environmental Assistance to Neighborhoods Account to provide low interest loans. In addition, the California Pollution Control Financing Authority Act provides low-cost, tax exempt financing for projects that eliminate pollution and improve environmental quality. In 2000, CPCFA was amended to assist economically distressed local governments in implementing policies to promote infill development in areas suffering from high poverty (AB 779, Torlakson).

However, other states have done much more than California. In Pennsylvania, over 15,000 new jobs have been created and 7,000 acres cleaned up as a result of its 1995 Land Recycling Program. New Jersey saw a 29 percent increase in voluntary cleanups in the first year after enacting the Industrial Sites Recovery Act. And Michigan's Natural Resources Environmental Protection Act has generated 7,968 jobs, 1,400 housing units and \$1.1 billion in private investment since 1994.⁸⁰

California Infrastructure and Economic Development Bank. The Infrastructure Bank promotes economic revitalization, enables future development, and encourages a healthy climate for jobs. The bank has authority to issue tax-exempt and taxable revenue bonds, provide financing and credit enhancements, acquire or lease facilities and leverage State and Federal funds. Funding criteria for the bank includes priority for projects that serve urban centers. The program has to date received \$475 million from the state, which can leverage more than \$1.4 billion in loans for local infrastructure projects.

Downtown Rebound Program. This program, enacted in 2001, allocated \$25 million for competitive loans for the adaptive reuse of existing underutilized buildings in downtown areas (with a portion for low-income units); multi-family residential housing within planned transit stations, and \$2.4 million in planning grants for local governments. (AB 2870, Cedillo 2000).

Jobs Housing Balance Improvement Program. Enacted in 2000, this program will provide \$100 million in grants for local governments who increase housing permits, with an additional bonus for infill development. The program also includes \$5 million in predevelopment loans for proposed residential projects near existing or planned transit stations.

Policy Options

Increase fiscal incentives for infill housing. The state could address the “fiscalization” of land use by providing increased property tax revenues to local governments, providing incentives for regional revenue-sharing agreements, or modifying local funding sources. As Myron Orfield notes,

Central cities and older suburbs, already fiscally stressed with low tax bases, high taxes, and minimal services, cannot begin the process of reinvestment that is necessary to remain competitive. Regional funds must be created to clean up older industrial parks and polluted areas (brownfields), rebuild infrastructure such as sewers and roads, rehabilitate housing, replenish and augment urban parks and amenities.⁸¹

The State can also pursue more targeted incentives for infill housing. For example, Assemblymember Cedillo has proposed a 20 percent state tax credit to rehabilitate

⁸⁰ Brownfield Redevelopment Case Studies, CCLR, March 2000

⁸¹ *Los Angeles Metropolitcs: A Regional Agenda for Community and Stability*, Myron Orfield, June 1998.

buildings on the California Register of Historical Buildings, and a 25 percent state tax credit to rehabilitate registered buildings in redevelopment areas. In addition, the governor has proposed an additional \$200 million for the Jobs-Housing Balance Improvement Program, which could be further targeted to permits for residential infill in older urban and suburban cores.

Resolve brownfield issues. As much as ten percent of urban land is underutilized due to toxic contamination, yet these “brownfields” hold a great deal of potential in revitalizing urban areas. Two of the major hurdles in cleaning up brownfields are (1) the lack of clear liability standards for current property owners who did not cause the contamination, and (2) the lack of clear clean-up standards.

Establish infrastructure priorities. Each element of state-funded infrastructure (includes roads, water systems, schools, housing and parks) has established its own funding goals and priorities. Establishing a consistent set of state infrastructure goals and priorities, which would include the goal of urban reinvestment, would assist in promoting vigorous urban communities. Maryland, for example, has a policy that steers state infrastructure expenditures to “priority funding areas” designated by local governments. One impact of Maryland's approach has been to direct investment toward urban infrastructure that is underused and/or in need of rehabilitation.

PROTECTING CALIFORNIA'S SHRINKING AGRICULTURAL LANDS

April 6, 2001, 9:30 a.m. - 12:30 p.m.
Modesto City Council Chambers, 1010 Tenth Street, Modesto

Background

California features the largest food and agriculture economy in the nation. The state produces 350 different crops and commodities.⁸² Eight of the nation's top 10 agricultural counties are in California, with six of those eight in the Central Valley.⁸³ Fresno County is the top farm-producing county in the nation.

California's agricultural industry provides several benefits to the state:

- **Economic benefits.** In 1998, California's food and fiber industry employed more than 1.4 million people, or 10.1 percent of the workforce.⁸⁴ The industry generated \$75.6 billion for the state economy, or 7.9 percent of the gross state product. High agricultural productivity has dropped food prices for the average Californian -- the cost of food as a percentage of personal disposable income dropped by nearly three percent between 1970 and 1993.⁸⁵
- **Taxpayer benefits.** More than 40 studies have found that farms save communities money by contributing more in taxes than they demand in tax-supported services.⁸⁶ The American Farmland Trust has found that, generally, farmland generates a dollar of tax revenue for every 30 cents required for public services. American Farmland Trust also has found that preserving farmland in the Central Valley would save local governments \$29 billion by 2040 through reduced cost for public services.⁸⁷
- **Resource benefits.** Farmland provides flood control protection, ground water recharge and wildlife habitat.

Problem

California is losing thousands of acres per year of its best farmland to urban sprawl. During the latest two-year reporting period, 52,408 acres of agricultural land was urbanized. That is an area equal to a 72-acre auto mall being built everyday on farmland.

⁸² California Department of Food and Agriculture, <http://www.cdffa.ca.gov/statistics/california.html> , 2001.

⁸³ U.S. Census of Agriculture, 1997

⁸⁴ Carter, Harold O. and Goldman, George, *The Measure of California Agriculture*, University of California, March 1999, Errata insert

⁸⁵ Ibid., p. 60

⁸⁶ Trust for Public Land, *The Economic Benefits of Parks and Open Space*, p. 33.

⁸⁷ American Farmland Trust, *Alternatives for Future Urban Growth in California's Central Valley: The Bottom Line for Agriculture and Taxpayers*, October 1995, p. i.

In addition, 34,054 acres of other land, most of which had once been in agricultural production, also was urbanized.⁸⁸

Recent history shows how quickly urbanization can wipe out an important agricultural region. For example, Los Angeles County was the nation's top agricultural county from 1901 to 1949, and Santa Clara County was among the nation's agricultural leaders during the same period.⁸⁹

Many farmers believe that selling their farm is their only option for retirement security. The average age of a California farmer was 56 years old in 1998, according to the California Farm Bureau Federation. For many farmers, retirement security is an immediate concern, and farmers often perceive that selling their farm is the sole means to achieving that goal. Farmers continually face other economic pressures as well, including lower commodity prices, higher production costs (particularly energy costs in recent months) and shrinking export markets.

Spotlight on the Central Valley

The Central Valley, which will more than double its population over the next 40 years, has been named by the American Farmland Trust as the nation's agricultural area most threatened by suburban development. Approximately 11 percent of Central Valley Farmland has already been paved over.⁹⁰ American Farmland Trust estimates that sprawl will consume an additional 14 percent of the remaining farmland, or one million acres, by 2040. Approximately 60 percent of this loss is likely to be "prime farmland" and "farmland of statewide importance" as defined by the Department of Conservation.⁹¹

Sprawl also would increase the area where agriculture would run into conflict with urban land uses. For example, American Farmland Trust estimates that current development patterns in the Central Valley would create a one-third mile "zone of conflict" of 2.5 million acres by 2040. The spillover effects of agriculture such as noise, odors, blowing dust and pesticide use can irritate neighboring residents, increasing growers' risk of liability. Agriculture also likely would experience economic losses from pilferage of crops and vandalism to equipment.⁹²

Losing a million acres of farmland would cost more than \$5 billion annually in lost business for farmers, ranchers, suppliers, processors, and others involved in agriculture. At the same time, it would annually cost \$1 billion more than cities and counties raise in revenues to provide the current level of public services, forcing them to raise taxes or reduce services to make ends meet.⁹³

⁸⁸ California Department of Conservation, *Farmland Conversion Report, 1996-98*, June 2000.

⁸⁹ Great Valley Center, *Agricultural Land Conservation in the Great Central Valley*, October 1998, pp. 5-7.

⁹⁰ Based on 800,000 urbanized acres in the Central Valley, with 7 million remaining irrigated acres, per figures from the Department of Conservation.

⁹¹ American Farmland Trust, *OpCit*, pp. i, 49.

⁹² *Ibid.*, p.9

⁹³ *Ibid.*, p.i

In contrast, American Farmland Trust found that more compact development in the Central Valley would reduce farmland loss to approximately 500,000 acres by 2040, leading to a \$200 million annual surplus for Central Valley local governments. The "zone of conflict" under this scenario would be reduced to 1.6 million acres.⁹⁴

Central Valley residents are highly concerned about the rate of farmland loss. A major survey released in March, 2001, found that 67 percent of Central Valley residents believe that farmland loss was a problem, and a solid 88 percent believe that protecting farms and agricultural lands from urban development is a good idea.⁹⁵

As California absorbs 22 million people by 2040, state land use policies can determine whether the state's best and most productive remaining farmland avoid the same fate as Los Angeles County and Santa Clara County agriculture.

Existing Law

Williamson Act. Established in 1965, the California Land Conservation (Williamson) Act is a voluntary program that offers a farmer reduced property tax assessments if the farmer agrees to keep the property in agricultural use for a minimum period of 10 years. The farmer enters into a contract with a participating county or city. Local governments receive a partial subvention of forgone property tax revenues from the state. In 1998, 15.9 million acres, or about one-half of the state's 30 million acres of agricultural land, was protected under the Williamson Act. This level of participation has remained stable since the early 1980s.⁹⁶ Although a key state tool for protecting agricultural land, the Williamson Act does not necessarily target the most valuable or the most threatened agricultural land. Two-thirds of land protected under the Williamson Act is classified as nonprime land, primarily range and grazing land. The state cost of the Williamson Act was \$39 million in 1999-2000.

Agricultural conservation easements. The California Farmland Conservancy Program (CFCP) was established in 1995. The program provides funding for a local public agency or nonprofit land trust to purchase agricultural conservation easements. An agricultural conservation easement is a voluntary legal agreement that allows a farmer to sell or donate a farm's development rights to nonprofit land trust or public agency so that the land remains in agricultural production. The landowner retains all other property rights to the farm, including the right to hold title; to rent, sell, or transfer title; and the right to restrict public access. A conservation easement provides the farmer with either a cash payment for the amount of the land's potential development value or an income tax deduction when the conservation easement is donated, as well as reduced estate and property taxes due to the land being assessed based on agricultural value rather than development value. Conservation easements under the CFCP seek to permanently

⁹⁴ Ibid.

⁹⁵ Public Policy Institute of California, *Special Survey of the Central Valley*, March 2001.

⁹⁶ Department of Conservation, *The California Land Conservation (Williamson) Act, 1993-95 Status Report*, September 1996.

protect agricultural uses. The 2000-01 State Budget allocates \$6.5 million for CFCP grants, including \$5 million in Proposition 12 bond funds.

Tax credits. The Natural Heritage Preservation Tax Credit Act, established in 2001, allows agricultural land, among other properties, to qualify for an income tax credit when the land is donated to public or nonprofit organizations for permanent protection. The tax credit is equal to 55 percent of the fair market value of any qualified contribution. \$100 million was authorized by the legislature and governor in the 2000-01 Budget Act for the tax credits over a period of five years. Agriculture will receive only a fraction of this amount since the tax credit is applicable to different types of properties.

Policy Options

Some of the more common policy options choose either to protect farmland outright or to encourage more compact urban development:

Expand conservation easements. Given the large amount of farmland threatened by urbanization, California's agricultural conservation easement program is modest, particularly when compared to other states. The California program had protected nearly 19,000 acres and spent \$11.2 million of state and local funds since its inception in 1996. The state program will spend an additional \$29 million over the next three years, due in large part to voter approval of a \$2 billion parks bond measure in March 2000.⁹⁷ When all these funds have been spent, California will spend about \$1.11 per capita on conservation easements. In contrast, Pennsylvania and New Jersey have spent \$20 per capita, Maryland \$38, Delaware \$52 and Vermont \$70.⁹⁸

Establish state infrastructure funding criteria to protect farmland. In 1997, Maryland established Priority Funding Areas, in part to encourage farmland protection. The Maryland legislation required local governments to establish priority areas, based on state guidelines, for state infrastructure funding. Local governments could develop outside the priority funding areas, but would be less likely to obtain state infrastructure funding. One impact of the Maryland legislation has been to provide local governments with a fiscal reason to discourage inefficient development patterns.⁹⁹

Establish unified countywide general plans. In 1998, the Agricultural Task Force for Resource Conservation and Economic Growth in the Central Valley, comprised of key agricultural and business leaders, recommended that local governments prepare a unified countywide plan rather than the current practice of each local government within a county preparing general plans individually. The task force called for the countywide plans to include an Agricultural Policy to protect important farmlands and an Urban Development Policy that encourages compact development. The recommendation also

⁹⁷ Figures from Department of Conservation, February 2001.

⁹⁸ American Farmland Trust, Farmland Information Center, *Fact Sheet*, rev. March 2000

⁹⁹ James T. Noonan, Director, Maryland Department of Planning, January, 2001.

called for rewarding counties with unified general plans through funding through the Infrastructure Bank, conservation easements and planning tools. Legislation based on this recommendation was not successful in the 1999-2000 session (AB 1575, as amended 4/5/99, Wiggins).

WHERE DO WE GO FROM HERE?

The Smart Growth Caucus, which includes 37 members of the Legislature, will continue to sponsor opportunities like these informational hearings so that legislators may discuss land use issues with prominent leaders.

The caucus has scheduled regional groups of legislators to meet with Myron Orfield, the Minnesota state legislator who has looked in depth at several California regions, on March 21 in the State Capitol. The caucus also is putting together meetings between legislators and Nick Bollman, Chair of the Speaker's Commission on Regions; Phil Angelides, California State Treasurer, and Steve Nissen, Director of the Governor's Office of Planning and Research.

Many legislators will be pursuing land use legislation this year. The legislative calendar for 2001:

April 27	Last day for policy committees to hear and report fiscal bills for referral to fiscal committee in the house-of-origin.
June 1	Last day for fiscal committees to hear and report bills in the house-of-origin to the floor (for passage in the first year of two-year session).
June 8	Last day for each house to pass bills introduced in that house
June 15	Legislature must pass budget bill by midnight.
July 13	Last day for policy committees to meet and report bills.
August 31	Last day for fiscal committees to meet and report bills to the floor.
September 14	Last day for any bill to be passed by the Legislature.
October 14	Last day for governor to sign or veto bills.

For more information about the informational hearings or the Smart Growth Caucus, call Dan Flynn, Office of Assemblymember Patricia Wiggins, 916/319-2007.